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QUARTERLY REPORT

LICENSEE: GREATE BAY HOTEL AND CASINO, INC.

FOR THE QUARTER ENDED MARCH 31, 2003

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**



TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

BALANCE SHEETS

AS OF MARCH 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 16,743	\$ 20,602
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2003, \$10,333; 2002, \$12,830).....	4,733	8,744
4	Inventories.....	1,831	2,403
5	Prepaid Expenses and Other Current Assets..... Note 6.....	3,162	1,975
6	Total Current Assets.....	26,469	33,724
7	Investments, Advances, and Receivables.....	10,314	9,671
8	Property and Equipment - Gross..... Note 7.....	197,620	185,863
9	Less: Accumulated Depreciation and Amortization..... Note 7.....	(29,351)	(15,656)
10	Property and Equipment - Net..... Note 7.....	168,269	170,207
11	Other Assets.....	2,928	3,665
12	Total Assets.....	\$ 207,980	\$ 217,267
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	\$ 4,469	\$ 5,808
14	Notes Payable..... Note 9.....	8,500	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates..... Note 9.....	-	-
16	Other..... Note 9.....	-	20
17	Income Taxes Payable and Accrued..... Note 2.....	159	1,260
18	Other Accrued Expenses..... Note 8.....	12,109	11,536
19	Other Current Liabilities.....	2,575	3,540
20	Total Current Liabilities.....	27,812	22,164
	Long-Term Debt:		
21	Due to Affiliates..... Note 9.....	110,000	110,000
22	Other..... Note 9.....	-	347
23	Deferred Credits.....	-	-
24	Other Liabilities.....	3,517	3,724
25	Commitments and Contingencies.....		
26	Total Liabilities.....	141,329	136,235
27	Stockholders', Partners', Or Proprietor's Equity.....	66,651	81,032
28	Total Liabilities and Equity.....	\$ 207,980	\$ 217,267

The accompanying notes are an integral part of the financial statements.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenue:		
1	Casino.....	\$ 43,639	\$ 55,670
2	Rooms.....	2,458	2,746
3	Food and Beverage.....	4,664	6,465
4	Other.....	883	928
5	Total Revenue.....	51,644	65,809
6	Less: Promotional Allowances.....	11,844	12,565
7	Net Revenue.....	39,800	53,244
	Costs and Expenses:		
8	Cost of Goods and Services.....	29,562	35,162
9	Selling, General, and Administrative.....	7,575	8,515
10	Provision for Doubtful Accounts.....	331	315
11	Total Costs and Expenses.....	37,468	43,992
12	Gross Operating Profit.....	2,332	9,252
13	Depreciation and Amortization.....	3,445	2,916
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) From Operations.....	(1,113)	6,336
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates	(2,934)	(2,646)
18	Interest (Expense) - External.....	(61)	(84)
19	Investment Alternative Tax and Related Income (Expense) - Net....	(286)	(327)
20	Nonoperating Income (Expense) - Net.....	89	129
21	Total Other Income (Expenses).....	(3,192)	(2,928)
22	Income (Loss) Before Income Taxes And Extraordinary Items.....	(4,305)	3,408
23	Provision (Credit) for Income Taxes..... Note 2.....	159	1,260
24	Income (Loss) Before Extraordinary Items.....	(4,464)	2,148
	Extraordinary Items (Net of Income Taxes -		
25	2003, \$ - ; 2002, \$ -).....	-	-
26	Net Income (Loss).....	\$ (4,464)	\$ 2,148

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2003

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2001	100	\$ -		\$	89,659	\$	\$ (10,775)	\$ 78,884
2	Net Income (Loss) - 2002.....							(7,769)	(7,769)
3	Contribution to Paid-in-Capital.....								-
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2002.....	100	-			89,659		(18,544)	71,115
11	Net Income (Loss) - 2003.....							(4,464)	(4,464)
12	Contribution to Paid-in - Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, March 31, 2003.....	100	\$ -		\$	89,659	\$	\$ (23,008)	\$ 66,651

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

Amended

7/21/03

(UNAUDITED)
 (\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (1,621)	\$ 3,677
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(1,904)	(1,923)
5	Proceeds from Disposition of Property and Equipment	2	15
6	Purchase of Casino Reinvestment Obligations.....	(568)	(670)
7	Purchase of Other Investments and Loans/Advances made.....	-	-
	Proceeds from Disposal of Investments and Collection		
8	of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities (net of cash acquired).	-	-
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(2,470)	(2,578)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	2,000	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	-	(4)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	-	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	2,000	(4)
24	Net Increase (Decrease) In Cash And Cash Equivalents.....	(2,091)	1,095
25	Cash And Cash Equivalents At Beginning Of Period.....	18,834	19,507
26	Cash And Cash Equivalents At End Of Period.....	\$ 16,743	\$ 20,602

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 5,959	\$ 5,680
28	Income Taxes.....	\$ 31	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL & CASINO
STATEMENTS OF CASH FLOWS

Amended

7/21/03

FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

AMENDED

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ (4,464)	\$ 2,148
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment....	3,256	2,728
31	Amortization of Other Assets.....	189	188
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	4	(15)
36	(Gain) Loss on Casino Reinvestment Obligations.....	286	327
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	268	240
39	Net (Increase) Decrease in Inventories.....	20	28
40	Net (Increase) Decrease in Other Current Asset.....	1,262	1,043
41	Net (Increase) Decrease in Other Assets.....	-	24
42	Net Increase (Decrease) in Accounts Payable.....	(1,129)	(1,035)
	Net Increase (Decrease) in Other Current Liabilities		
43	Excluding Debt.....	(1,405)	(2,053)
	Net Increase (Decrease) in Other Noncurrent Liabilities		
44	Excluding Debt.....	92	54
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ (1,621)	\$ 3,677

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 1,904	\$ 1,923
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows For Property And Equipment.....	\$ 1,904	\$ 1,923
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....		
54	Long-Term Debt Assumed.....		
55	Issuance of Stock or Capital Invested.....		
56	Cash Outflows To Acquire Business Entities.....	\$ -	\$ -
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$ -	\$ -
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: SANDS HOTEL AND CASINO
**SCHEDULE OF PROMOTIONAL
EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	76,679	\$ 2,006		\$
2	Food	105,856	1,652		
3	Beverage	552,111	1,050		
4	Travel			904	143
5	Bus Program Cash	148,813	2,847		
6	Other Cash Complimentaries	90,012	4,068		
7	Entertainment	3,040	137		
8	Retail & Non-Cash Gifts			114,134	999
9	Parking			77,495	116
10	Other	17,110	84		
11	Total	993,621	\$ 11,844	192,533	\$ 1,258

FOR THE THREE MONTHS ENDED MARCH 31, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	76,679	\$ 2,006		\$
2	Food	105,856	1,652		
3	Beverage	552,111	1,050		
4	Travel			904	143
5	Bus Program Cash	148,813	2,847		
6	Other Cash Complimentaries	90,012	4,068		
7	Entertainment	3,040	137		
8	Retail & Non-Cash Gifts			114,134	999
9	Parking			77,495	116
10	Other	17,110	84		
11	Total	993,621	\$ 11,844	192,533	\$ 1,258

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Organization, Business and Basis of Presentation

Greate Bay Hotel and Casino, Inc. ("GBHC") is a New Jersey corporation and wholly owned subsidiary of GB Holdings, Inc. ("Holdings") a Delaware corporation. GBHC's principal business activity is its ownership of the Sands Hotel and Casino located in Atlantic City, New Jersey (the "Sands"). GB Property Funding Corp. ("GB Property Funding"), a Delaware corporation and a wholly owned subsidiary of Holdings, was incorporated in September 1993 as a special purpose subsidiary of Holdings for the purpose of borrowing funds for the benefit of GBHC. Holdings has no operating activities and its only source of income is interest on cash equivalent investments. Effective September 2, 1998, GBHC acquired the membership interests in Lieber Check Cashing LLC ("Lieber"), a New Jersey limited liability company that owned a land parcel adjacent to GBHC.

The accompanying consolidated financial statements include the accounts and operations of GBHC and Lieber. All significant intercompany balances and transactions have been eliminated.

GBHC operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying consolidated financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2002.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for GBHC at March 31, 2003 and 2002, and its statements of income for the three months ended March 31, 2003 and 2002 and its statements of cash flows for the three months ended March 31, 2003 and 2002. All such adjustments were of a normal recurring nature.

GBHC's operations are subject to seasonal factors and, therefore, the results of operations of the three months ended March 31, 2003 and 2002 are not necessarily indicative of the results of operations for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(2) Income Taxes

The components of the provision (credit) for income taxes are as follows:

	Three Months Ending March 31,	
	2003	2002
Federal income tax provision (credit):		
Current	\$ -	\$ 1,260,000
Deferred	-	-
State income tax provision (credit):		
Current	159,000	-
Deferred	-	-
	<u>\$ 159,000</u>	<u>\$ 1,260,000</u>

Federal and State income tax benefits or provisions are based upon the results of operations for the current period and the estimated adjustments for income tax purposes of certain nondeductible expenses.

Due to recurring losses, GBHC has not recorded Federal income tax for the three months ended March 31, 2003.

The State income tax provision of \$159,000 for the three months ended March 31, 2003 is a result of applying the statutory Alternative Minimum Assessment rate of 0.4% to gross receipts, as defined in the Business Tax Reform Act.

(3) Transactions with Related Parties

GBHC's rights to the trade name "Sands" (the "Trade Name") were derived from a license agreement between Greate Bay Casino Corporation and an unaffiliated third party. Amounts payable by GBHC for these rights were equal to the amounts paid to the unaffiliated third party. GBHC was assigned by High River Limited Partnership ("High River") the rights under a certain agreement with the owner of the Trade Name to use the Trade Name as of September 29, 2000 through May 19, 2086 subject to termination rights for a fee after a certain minimum term. High River is an entity controlled by Carl C. Icahn. High River received no payments for its assignment of these rights. Payment is made directly to the owner of the Trade Name. Such charges amounted to \$59,000 and \$68,000, respectively, for the three months ended March 31, 2003 and 2002.

GREATE BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) **(Unaudited)**

(4) Legal Proceedings

GBHC filed tax appeals with the New Jersey Tax Court (the "NJ Tax Court") challenging the amount of its real property assessment for calendar years 1996 through 2001, inclusive, and filed an appeal for calendar year 2002 with the Atlantic County Tax Board ("AC Tax Board"). The City of Atlantic City also appealed the amount of assessments for the years 1996 through 2001, inclusive, and filed a cross-petition with the Atlantic County Tax Board for calendar year 2002. The AC Tax Board declined to hear the appeal and therefore the appeal and cross-petition for calendar year 2002 is now pending before the NJ Tax Court. The Sands has also filed a tax appeal for calendar year 2003 with the New Jersey Tax Court.

GBHC discovered certain failures relating to currency transaction reporting and self-reported the situation to the applicable regulatory agencies. GBHC conducted an internal examination of the matter and the New Jersey Division of Gaming Enforcement conducted a separate review. GBHC has revised internal control processes and taken other measures to address the situation. GBHC may be subjected to regulatory sanctions, which may include cash penalties. However, the potential cash penalties cannot be estimated at this time.

GBHC is a party in various legal proceedings with respect to the conduct of casino and hotel operations and has received employment related claims. Although a possible range of losses cannot be estimated, in the opinion of management, based upon the advice of counsel, GBHC does not expect settlement or resolution of these proceedings or claims to have a material adverse impact upon the consolidated financial position or results of operations of GBHC, but the outcome of litigation and the resolution of claims is subject to uncertainties and no assurances can be given. The accompanying consolidated financial statements do not include any adjustments that might result from these uncertainties.

On February 26, 2003, the Sands received a letter from counsel for Mr. Frederick H. Kraus, Executive Vice President, General Counsel and Secretary, indicating that he had been retained to represent Mr. Kraus "in regards to a constructive discharge, breach of contract, severance pay" and other claims. This matter has been referred to legal counsel for evaluation. Management has not yet determined whether or not the claims made by Mr. Kraus would, if adversely determined, materially impact the financial position or results of operations of the Company.

(5) New Accounting Pronouncement

On January 1, 2003, GBHC adopted FAS No. 143, "Asset Retirement Obligations" ("SFAS No. 143"), which provides the accounting requirements for retirement obligations associated with tangible long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. The adoption of FAS No. 143 did not have a material impact on GBHC's consolidated financial statements.

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(6) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	March 31,	
	2003	2002
Prepaid Federal Income Taxes	\$ 1,359,000	\$ 359,000
Other current assets	1,803,000	1,616,000
	<u>\$ 3,162,000</u>	<u>\$ 1,975,000</u>

(7) Property and Equipment

Property and equipment consisted of the following:

	March 31,	
	2003	2002
Land	\$ 54,344,000	\$ 54,814,000
Buildings and improvements	91,661,000	89,006,000
Operating equipment	46,943,000	28,713,000
Construction in progress	4,672,000	13,330,000
	197,620,000	185,863,000
Less: accumulated depreciation and amortization	<u>(29,351,000)</u>	<u>(15,656,000)</u>
Net property and equipment	<u>\$ 168,269,000</u>	<u>\$ 170,207,000</u>

GREATER BAY HOTEL AND CASINO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

(8) Other Accrued Expenses

Other accrued expenses consisted of the following:

	March 31,	
	2003	2002
Accrued vacation	\$ 1,656,000	\$ 1,677,000
Other accrued expenses	10,453,000	9,859,000
	<u>\$ 12,109,000</u>	<u>\$ 11,536,000</u>

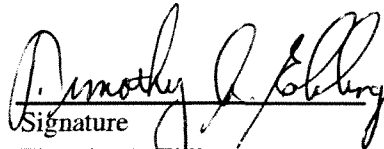
(9) Long-Term Debt

Long-term debt is comprised of the following:

	March 31,	
	2003	2002
Due to GB Property Funding	\$ 110,000,000	\$ 110,000,000
Due to Holdings	8,500,000	-
Other	-	367,000
	<u>118,500,000</u>	<u>110,367,000</u>
Total indebtedness	118,500,000	110,367,000
Less - current maturities	<u>(8,500,000)</u>	<u>(20,000)</u>
Total long-term debt	<u>\$ 110,000,000</u>	<u>\$ 110,347,000</u>

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.


Signature
Timothy A. Ebling
Executive Vice President,
Chief Financial Officer
Title

003052-11
License Number

On Behalf Of:

Greate Bay Hotel And Casino, Inc.
Casino Licensee